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Message Text

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TO SECSTATE WASHDC PRIORITY 2281
INFO AMEMBASSY ATHENS
AMEMBASSY NICOSIA
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AMCONSUL IZMIR
AMCONSUL ADANA
AMEMBASSY LONDON
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AMEMBASSY COPENHAGEN
AMEMBASSY BRUSSELS PRIORITY
AMEMBASSY THE HAGUE
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C O N F I D E N T I A L SECTION 1 OF 3 ANKARA 4416

USEEC

E. O. 11652: GDS
TAGS: EEC, PEPR, TU
SUBJECT: TURKEY MOVES TO DEFINE ITS POSITION VIS-A-VIS EC

REF: (A) BRUSSELS 10211, (B) BRUSSELS 10314, (C) BRUSSELS 10355

SUMMARY: PRIME MINISTER ECEVIT'S VISIT TO EC COMMISSION AT END OF MAY WAS OCCASION FOR A SHARPENING OF DEFINITION OF TURKISH POLICY TOWARD THE EUROPEAN COMMUNITY. ECEVIT HAS REAFFIRMED CONFIDENTIAL

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TURKEY'S OBJECTIVE OF EVENTUALLY BECOMING A FULL MEMBER. HE BELIEVES, HOWEVER, THAT THE PRESENT EC/TURKISH RELATIONSHIP IS ECONOMICALLY UNSATISFACTORY. IN BRUSSELS HE SET FORTH GENERAL WAYS IN WHICH EC SHOULDHELP TURKEY (REMOVE ALL RESTRICTIONS ON ENTRY OF TURKISH INDUSTRIAL PRODUCTS; RESERVE A MARGIN OF PREFERENCE FOR TURKISH AGRICULTURAL EXPORTS; INVEST IN TURKEY TO CREATE JOBS FOR TURKISH WORKERS AT HOME;

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PERMIT TRANSFER TO TURKEY OF SOCIAL SECURITY BENEFITS ACCUMULATED BY TURKISH WORKERS IN EC; INCREASE FINANCIAL AID TO TURKEY). ECEVIT ACCEPTED NEARLY TWO-YEAR-OLD EC PROPOSAL FOR AN ECONOMIC AND INDUSTRIAL COOPERATION AGREEMENT, SAYING THAT EC/TURKISH RELATIONSHIP MUST BE MADE TO WORK BETTER THROUGH NEW AGREEMENTS AS WELL AS EXISTING ONES. EC DELEGATION IS EXPECTED TO COME TO ANKARA IN LATE JUNE OR JULY FOR PRELIMINARY DISCUSSIONS. SERIOUS NEGOTIATIONS ARE EXPECTED IN THE FALL. IT REMAINS TO BE SEEN WHETHER TURKEY WILL GIVE EC INVESTORS MORE PREFERENTIAL TREATMENT THAT IT GIVES AMERICAN INVESTORS. IF MR. ECEVIT RECOGNIZES THAT EC INVESTMENT CAN HELP HIM TO CREATE JOBS IN TURKEY, HE MAY COME TO SEE THE UTILITY OF PROVIDING A MORE HOSPITABLE ATMOSPHERE FOR INVESTMENT FROM ALL SOURCES. END SUMMARY.

1. IN CONNECTION WITH PRIME MINISTER ECEVIT'S VISIT TO EC COMMISSION IN LATE MAY, GOT MOVED TOWARD A MORE PRECISE DEFINITION, THAN BEFORE, OF ITS POLICY TOWARD THE EC. ECEVIT HAS REAFFIRMED GOAL OF EVENTUAL FULL EC MEMBERSHIP FOR TURKEY. HOWEVER, TO OBTAIN THIS OBJECTIVE, ECEVIT TOLD COMMISSION THAT TURKISH/EC RELATIONSHIP MUST FUNCTION. IN HIS VIEW, IT PRESENTLY DOES NOT. ECEVIT WANTS TO MAKE IT WORK, NOT ONLY IN THE CONTEXT OF EXISTING TURKISH AGREEMENTS WITH THE COMMUNITY, BUT ALSO THROUGH NEW ONES. INFORMATION COMES FROM YILDIRIM YESKIN, DEPUTY DIRECTOR, MFA DEPARTMENT OF EUROPEAN COMMUNITY AFFAIRS.
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2. ECEVIT OUTLINED TO EC COMMISSIONERS CERTAIN GENERAL ECONOMIC PROPOSALS TO THIS END, KESKIN SAID. CHARACTERIZING TURKEY AS A EUROPEAN COUNTRY AND REMINDING THE COMMISSION THAT TURKEY WAS AN ASSOCIATE MEMBER OF THE COMMUNITY, ECEVIT SAID TURKEY'S ECONOMIC RELATIONS WITH THE EC WERE UNSATISFACTORY. HE SPECIFIED SEVERAL WAYS IN WHICH THE COMMUNITY SHOULD HELP TURKEY ECONOMICALLY:

A. REMOVAL OF EC RESTRICTIONS ON IMPORTS OF TURKISH INDUSTRIAL PRODUCTS.

--ECEVIT ASKED THAT AL EC RESTRICTIONS, TARIFF AND NON-TARIFF, LIMITING ACCESS OF TURKISH INDUSTRIAL PRODUCTS INTO THE COMMON MARKET BE REMOVED ANT THAT NO NEW ONES BE INTRODUCED. KESKIN SAID THAT IMPROVED ACCESS FOR TURKISH TEXTILES IS PRESENTLY THE MOST IMPORTANT TRADE CONCERN OF TURKEY WITH THE EC. HOWEVER, ECEVIT MADE HIS REQUEST IN TERMS OF "INDUSTRIAL PRODUCTS" WITH THE EXPECTATION THAT TURKEY WOULD HAVE OTHER MANUFACTURED GOODS BESIDES TEXTILES TO SELL AS TIME PASSED.

B. PRESERVATION FOR TURKEY OF A MARGIN OF PREFERENCE FOR ITS

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AGRICULTURAL PRODUCTS.

--ECEVIT ARGUED THAT TURKEY'S MARGIN OF PREFERENCE IN THE
EC FOR ITS AGRICULTURAL PRODUCTS IS BEING ERODED BY FAVORABLE
TREATMENT BEING GIVEN TO THE AGRICULTURAL GOODS OF OTHER
MEDITERRANEAN COUNTRIES.
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C O N F I D E N T I A L SECTION 2 OF 3 ANKARA 4416

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C. EMPLOYMENT-CREATING INVESTMENT BY EC COUNTRIES IN TURKEY
AS SUBSTITUTION OFR FREE MOVEMENT OF TURKISH WORKDRS WITHIN
EC MARKET.

--WHILE ACKNOWLEDGING THAT UNEMPLOYMENT AND OTHER ECONOMIC
DIFFICULTIES IN COMMUNITY COUNTRIES MADE IT DIFFICULT FOR
THEM TO PERMIT FREE MOVEMENT OF TURKISH WORKERS WITHIN THE

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EC LABOR MARKET, ECEVIT ASKED FOR COMPENSATION FOR THE EC'S
FAILURE TO MEET ITS AGREED OBLIGATIONS ON THIS SCORE. HE
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ASKED THE COMMUNITY TO CREATE NEW EMPLOYMENT OPPORTUNITIES IN
TURKEY THROUGH THE ESTABLISHMENT THERE OF EXPORT-DIRECTED
ENTERPRISES. THE TURKS WOULD LIKE TURKISH WORKERS FROM
GERMANY, FOR EXAMPLE, TO BE ABLE TO OBTAIN CREDITS FROM
GERMAN BANKS FOR INVESTMENT IN NEW ENTERPRISES IN TURKEY THAT
MIGHT BE MANAGED BY GERMAN FIRMS.

--ECEVIT AGREED THAT THIS INVESTMENT WOULD BE MADE WITHIN
THE FRAMEWORK OF AN ECONOMIC AND INDUSTRIAL COOPERATION
AGREEMENT BETWEEN TURKEY AND THE EC. ACCORDING TO KESKIN,
THE COMMUNITY HAD OFFERED SUCH AN AGREEMENT ALONG WITH OTHER
PROPOSALS IN SEPTEMBER 1976. COALITION GOVERNMENTS UNDER FORMER
PRIME MINISTER DEMIREL, WHICH COULD NOT AGREE INTERNALLY ON
AN EC POLICY, WERE UNABLE TO RESPOND. (ALTHOUGH TURKEY HAS
STILL NOT RESPONDED TO ALL EC PROPOSALS OF SEPTEMBER 1976,
ECEVIT GOVERNMENT HAS STUDIED THEM, KESKIN SAID, AND FINAL
DECISIONS CAN BE MADE QUICKLY.)

--UNDER THIS AGREEMENT, TURKEY WOULD UNDERTAKE TO WELCOME
FOREIGN INVESTMENT FROM EC COUNTRIES, INCLUDING TRANSFER OF
TECHNOLOGY THROUGH LICENSING, UNDER CONDITIONS AND FOR PURPOSES
TO BE AGREED UPON. CAPITAL FOR SUCH INVESTMENTS COULD BE
TURKISH, ARAB, OR OF ANY NATIONALITY, SO LONG AS IT ENTERED
UNDER THIS AGREEMENT. THE AGREEMENT HAS YET TO BE DRAFTED;
KESKIN DID NOT EXPECT THAT ITS TERMS WOULD DISCRIMINATE
AGAINST NON-EC INVESTORS.

--IN THE TURKISH VIEW, THE AGREEMENT SHOULD ALSO PROVIDE FOR
THE SALE OF TURKISH PRODUCTS NOT ONLY WITHIN THE EC BUT ALSO
TO THIRD COUNTRIES WITH THE HELP OF THE MARKETING APPARATUS
OF EC FIRMS.

D. TRANSFER OF SOCIAL SECURITY BENEFITS OF TURKISH WORKERS
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ABROAD TO TURKEY.

--THE GOT WOULD LIKE A TURKISH WORKER IN THE COMMUNITY TO
BE ABLE (1) TO TRANSFER ALL HIS SOCIAL SECURITY
BENEFITS OF EC ORIGIN TO TURKEY WHENEVER THE SUM OF HIS COMBINED
WORKING YEARS IN TURKEY AND IN THE COMMUNITY TOGETHER WOULD EQUAL
OR EXCEED THE WORKING YEARS NEEDED TO QUALIFY FOR RETIREMENT

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UNDER TURKISH LAW; AND (2) TO ALLOCATE PAYMENTS FROM SOCIAL SECURITY FUNDS TO HIS FAMILY REMAINING IN TURKEY WHILE HE IS WORKING ABROAD.
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C O N F I D E N T I A L SECTION 3 OF 3 ANKARA 4416

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E. INCREASE IN FINANCIAL AID TO TURKEY.

--KESKIN REVEALED THAT PRIME MINISTER HAD SENT INSTRUCTIONS FROM BRUSSELS FOR GOVERNMENT TO SUBMIT TURKEY'S THIRD FINANCIAL PROTOCOL WITH THE EC TO THE PARLIAMENT FOR RATIFICATION; THIS WAS DONE PROMPTLY. PROTOCOL, ONCE RATIFIED, WILL PROVIDE TURKEY WITH 310 MILLION UNITS OF ACCOUNT ($387.5 MILLION) IN FINANCIAL AID. KESKIN SAID THAT TURKEY ALSO HAS STILL TO RATIFY THE 1973 ACCORD COMPLEMENTAIRE UNDER
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WHICH IT RECOGNIZED THE ENTRY OF THE UNITED KINGDOM, IRELAND, AND DENMARK INTO THE COMMUNITY AND RECEIVED FROM THESE THREE COUNTRIES THE PLEDGE OF 47 MILLION UNITS OF ACCOUNT ($58.8 MILLION), REPRESENTING THEIR SHARE OF EC AID TO TURKEY.

3. KESKIN EXPECTED THAT AN EC DELEGATION WOULD COME TO ANKARA IN LATE JUNE OR IN JULY FOR PRELIMINARY CONTACTS ON THESE MATTERS. TURKEY WILL ENTER INTO SERIOUS NEGOTIATIONS WITH THE EC AFTER THE FOURTH TURKISH FIVE-YEAR ECONOMIC DEVELOPMENT PLAN IS COMPLETED IN SEPTEMBER OR OCTOBER.

4. ON THE SUBJECT OF GREEK MEMBERSHIP IN THE EC, KESKIN EXPRESSED, WITH DEEP FEELING, STANDARD TURKISH SUSPICIONS. ASSURANCES BY EC OFFICIALS THAT GREECE IS A SMALL COUNTRY AND THEREFORE WILL NOT HAVE A BIG VOICE IN THE EC DOES NOT COMFORT THE TURKS, KESKIN SAID. THE GREEKS ARE ALSO A SMALL MINORITY IN THE U.S. BUT THEY HAVE MANAGED TO EXERCISE A STRONG AND ADVERSE INFLUENCE THERE ON MATTERS OF INTEREST TO TURKEY. ALTHOUGH THE GREEKS HAVE MADE OFFICIAL STATEMENTS THAT THEY WILL NOT DRIVE A WEDGE BETWEEN TURKEY AND THE COMMUNITY, THERE HAVE BEEN ENOUGH CONTRARY STATEMENTS BY HIGH-LEVEL GREEKS UNOFFICIALLY HE ALLEGED, THAT THE TURKS REMAIN THOROUGHLY DISTRUSTFUL.

5. COMMENT: THE FACT THAT PRIME MINISTER ECEVIT IS SEEKING INVESTMENT -- ON HIS OWN TERMS, OF COURSE--FROM EC COUNTRIES IS A HAPPY SIGN AND REPRESENTS A STEP-DOWN FROM WHAT HAS BEEN UNTIL NOW A FIRM TURKISH DEMAND FOR FREE MOVEMENT OF TURKISH LABOR WITHIN THE COMMUNITY. IT SHOWS THAT HE IS MINDFUL, TO SOME DEGREE AT LEAST, OF THE POSSIBLE CONTRIBUTION OF FOREIGN CAPITAL TO TURKISH ECONOMIC DEVELOPMENT, A POINT ON WHICH WE HAVE HAD INCONCLUSIVE EVIDENCE TO DATE.

6. THE QUESTION TO BE ANSWERED IS WHETHER OR NOT COMPANIES OF EC MEMBER STATES WILL BE GIVEN PREFERENTIAL INVESTMENT TERMS OVER AMERICAN COMPANIES. THE TREATY OF ROME PROVIDES FOR THE PROGRESSIVE ABOLISHMENT OF RESTRICTIONS ON FREEDOM OF ESTABLISHMENT OF ONE MEMBER IN THE TERRITORY OF ANOTHER, AND, BY DEFINITION, IMPLIES THE POSSIBILITY OF DISCRIMINATION AGAINST NON-MEMBERS. AS AN ASSOCIATE MEMBER OF THE EC, TURKEY WOULD BE EXPECTED GRADUALLY TO REDUCE OBSTRUCTIONS THAT IT PLACES IN THE WAY OF INVESTMENT FROM EC COUNTRIES.

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7. NEVERTHELESS, IF PRIME MINISTER ECEVIT IS PERSUADED THAT FOREIGN INVESTORS CAN HELP HIM TO CREATE JOBS IN TURKEY, HE MAY MOVE TO PROVIDE A MORE HOSPITABLE ATMOSPHERE FOR NEW INVESTMENT FROM ALL SOURCES.
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